In conjunction with the literature on consumer searches, this project connects to the literature on advertising spillover effects, a phenomenon in which a firm's costly advertising can end up benefiting its competitors. Bass et al. (2005) study the optimal advertising strategy between generic (or category-specific) and brand advertising, in which the effect of generic advertising can be enjoyed by other firms. According to Sayedi et al. (2014), after consumers see ads on traditional media, a firm can poach a competitor's customers by bidding in the competitor's search keyword. Shapiro (2018) finds empirical evidence of advertising spillover in a direct-to-consumer pharmaceutical setting. The mechanism of advertising spillover effects in this project is different in that consumer searches induced by targeted advertising endogenously creates advertising spillover effects. Consumers, upon being targeted, may make positive inferences about, and engage in, the category, even though they had no prior interest in the product. They may subsequently search and buy from another firm. This prospect of wasted advertising may reduce each firm's incentive to invest in advertising, which would soften competition in targeted advertising. Our equilibrium analysis for optimal targeted advertising will account for not only direct competition at the advertising stage, but also indirect competition induced endogenously through consumer searches.

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